

Message Text

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PAGE 01 MOSCOW 15857 182033Z

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ACTION EUR-12

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 3600

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C O N F I D E N T I A L MOSCOW 15857

E.O. 11652: GDS

TAGS: ETRD, UR, US

SUBJ: STATUS OF GOULD CORPORATIONS'S NEGOTIATIONS ON ENGINE BEARING
PLANT

1. GOULD CORP. (CLEVITE DIVISION) DELGATION HEADED BY VICE PRESIDENT
JACK BREEN DEPARTED MOSCOW SEPTEMBER 30 AFTER
10 DAYS OF TALKS WITH STANKOIMPORT ON ENGINE BEARING PLANT.

2. ALTHOUGH FINAL AGREEMENT WAS NOT REACHED, GOULD DEL
WAS ABLE TO MAKE CONSIDERABLE PROGRESS, LARGELY THROUGH SERIES
OF CONCESSIONS ON SOVIET SIDE. SOVIETS HAD BUILT CONSIDERABLE
NEGOTIATING ROOM INTO THEIR POSITION, INCLUDING INTER ALIA,
INSISTENCE ON NO DOWN-PAYMENT, VERY HIGH PENALTY
CLAUSES AND NO PROVISION FOR PRICE EXCALATION. THEY GAVE ON THESE
POINTS AND AT END OF DISCUSSIONS ONLY PRICE REMAINED AT ISSUE, WITH
GOULD DEMANDING IN NEIGHBORHOOD OF DOLLARS 47 MILLION AND SOVIETS
OFFERING ABOUT DOLLARS 43.5 MILLION.

3. COMMENT: PLANT, WHICH IS TO BE LOCATED IN DMITROVGRAD (FORMERLY
MELEKES) WILL SUPPLY BEARINGS FOR KAMAZ ENGINES, AMONG OTHERS, AND
SOVIETS CLEARLY FEEL UNDER SOME PRESSURE TO CONCLUDE AGREEMENT.
ALTHOUGH GOULD FACES STRONG
COMPETITION (GKN IN UK AND FRG FIRM), COMPANY'S POSITION IS
STRENGTHENED BY FACT THAT BOTH GKN AND FRG FIRM USE GOULD
TECHNOLOGY. SOVIETS TOOK UNUSUAL STEP OF PUBLISHING
OPTIMISTIC ARTICLE IN ECOTASS (SEPTEMBER 30) WHICH PREDICTED THAT
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PAGE 02 MOSCOW 15857 182033Z

GOULD WOULD OBTAIN BUSINESS.

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